

Message Text

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64

ACTION COME-00

INFO OCT-01 EUR-25 ADP-00 AID-20 CIAE-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 SS-15 NSC-10 L-03 H-03 STR-08

CEA-02 CAB-09 FAA-00 DODE-00 PA-03 USIA-15 PRS-01

RSR-01 /169 W

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R 261833Z JUL 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC 6525

INFO AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY PARIS

USMISSION BERLIN

AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL FRANKFURT

AMCONSUL HAMBURG

AMCONSUL MUNICH

AMCONSUL STUTTGART

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FOR COMMERCE

E.O. 11652: N/A

TAGS: ETRN, FR, GW, SP

SUBJECT: CIVAIR - FINANCIAL SUPPORT FOR AIRBUS

REF: (A) STATE 140142; (B) BONN 8254; (C) BONN 9484

BEGIN UNCLASSIFIED

1. FRG PUBLIC STATEMENT REPORTED REF B REFLECTED A
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CABINET DECISION ON PRINCIPAL TO PROVIDE GERMAN

GOVERNMENT SUPPORT TO MAINTAIN AIRBUS COMPETITIVENESS ON WORLD MARKETS. THE CABINET PROPOSES TO PROVIDE AIRBUS INDUSTRIE WITH AN INTEREST RATE SUBSIDY OF UP TO 3.25 PERCENT TO MAKE POSSIBLE AIRBUS FINANCING ON TERMS AS FAVORABLE AS THOSE OFFERED BY THE U.S. EXIM BANK. GOVERNMENT FUNDS AVAILABLE FOR INTEREST RATE PURPOSES WOULD NOT EXCEED DM 324 MILLION. IN ADDITION, THE CABINET WOULD PROVIDE SUBSIDIES TO AIRBUS MANUFACTURERS TO COMPENSATE FOR STEEP INCREASES IN PRODUCTION (PARTICULARLY LABOR) COSTS EXPECTED IN THE NEXT SEVERAL YEARS. THE MAXIMUM AMOUNT TO BE ALLOCATED FOR THIS KIND OF SUPPORT WAS SET AT DM 393 MILLION. THESE FUNDS COULD ALSO BE EXPENDED TO OFFSET A REDUCTION IN AIRBUS COMPETITIVENESS CAUSED BY THE DOLLAR'S DEPRECIATION. GOVERNMENT SUPPORT FOR AIRCRAFT PRODUCTION WOULD BE AVAILABLE TO AIRBUS PRODUCERS THROUGH 1977. INTEREST RATE SUBSIDIES WOULD COVER SALES THROUGH 1977 AND FINANCING COSTS UNTIL 1987. THE ESTIMATED SALES TOTAL INCLUDED UNDER THESE SUPPORT PROPOSALS WOULD BE ABOUT 100 AIRCRAFT.

2. THE AIRBUS MARKETING SUPPORT PLAN INVOLVES A POTENTIAL GOVERNMENT OUTLAY OF UP TO DM 717 MILLION. FUNDING FOR THE PROGRAM WILL BE INCLUDED IN THE GOVERNMENT'S 1974 BUDGET REQUEST. IF THE BUNDESTAG APPROVES, SUBSIDY SUPPORT UNDER THE CABINET'S PROPOSAL WOULD BECOME AVAILABLE DURING THE NEXT BUDGET YEAR, I.E., AFTER JANUARY 1, 1974. A SAMPLING OF RELEVANT ARTICLES FROM PRESS AND GOVERNMENT PUBLICATIONS IS BEING POUCHED.

END UNCLASSIFIED BEGIN LIMITED OFFICIAL USE

3. THE ABOVE IS BASED LARGELY ON EMBASSY CONVERSATIONS WITH THE FRG ECONMIN OFFICIAL CONCERNED WITH AEROSPACE MATTERS. OUR SOURCE FURTHER VOLUNTEERED THAT THE ACTUAL FORM THAT PRODUCTION SUBSIDIES - TO OFFSET INCREASED COSTS - WILL TAKE WAS STILL BEING CONSIDERED. HE ADDED THAT REDUCED PRICES OF U.S. ORIGIN COMPONENTS OCCASIONED BY DOLLAR DEVALUATIONS WAS ONE OF THE COST LIMITED OFFICIAL USE

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FACTORS UNDER EXAMINATION. WE WILL BE IN FURTHER TOUCH WITH GOVERNMENT CONTACTS ON AIRBUS SUPPORT PROGRAMS AND WILL REPORT DEVELOPMENTS.
HILLENBRAND

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